

Message Text

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY COPENHAGEN

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USMISSION USUN NEW YORK

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E.O. 11652: N/A

TAGS: OVIP, EC, ETRD

SUBJECT: HIJZEN-RABOT VISIT - SEPTEMBER 14-17

1. SUMMARY. HIJZEN-RABOT VISIT RESULTED IN SPECIFIC PROGRESS ON PROBLEM OF TREATMENT OF AGRICULTURE IN THE MTN AND USEFUL EXCHANGE OF VIEWS ON VARIETY OF OTHER SUBJECTS, NOTABLY GRAIN RESERVES, OUTSTANDING TRADE ISSUES BETWEEN US AND EC AND FOLLOW UP AMONG DEVELOPED COUNTRIES TO VARIOUS PROPOSALS MADE AT SEVENTH SPECIAL SESSION IN NEW YORK. HIJZEN INVOLVEMENT IN SEVENTH SPECIAL SESSION UNTIL TUESDAY MORNING NECESSITATED SEVERAL CHANGES IN SCHEDULE, INCLUDING CANCELLATION OF CALLS AT COMMERCE AND LABOR. END SUMMARY.

2. AGRICULTURE ISSUES IN THE MTN - DURING COURSE OF SEVERAL MEETINGS WITH USG OFFICIALS, RABOT AND JACQUOT, HIS ASSISTANT, EXPRESSED WILLINGNESS TO SEEK FORMULA WHICH WOULD RESPECT COMPROMISE OF MAY 8 ON ORGANIZATION OF WORK IN THE MTN AGRICULTURE GROUP AND ALLOW DISCUSSION TO GET UNDERWAY. END RESULT WAS TEXT OF UNDERSTANDING PREPARED BY US SIDE (POUCHED TO EC BRUSSELS) WHICH EC SIDE (JACQUOT AND DELANGE OF EC DELEGATION) REVIEWED, AGREEING IT REPRESENTED ACCURAGE SUMMATION OF RABOT DISCUSSIONS. RABOT UNDERTOOK TO USE ARTICLE 113

COMMITTEE MEETING SEPTEMBER 19 TO OBTAIN MEMBER STATE AGREEMENT ON THIS UNDERSTANDING. HE EXPRESSED SOME OPTIMISM THAT MEMBER STATES WOULD AGREE.

3. GRAIN RESERVES - IN INTERAGENCY MEETING SEPTEMBER 15, US SIDE PRESENTED LATEST THINKING ON GRAIN RESERVES PROPOSAL IT WILL PRESENT AT IWC MEETING SEPTEMBER 29-30. RABOT INDICATED INTEREST IN US PROPOSAL NOTING THAT PROGRESS ON THIS ISSUE WAS UNLIKELY UNTIL US DETAILED ITS THINKING. RABOT STRESSED EC INTEREST IN RELATING RESERVES TO GRAIN PRICES AND VOICED CONCERN THAT LIMITED OFFICIAL USE

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SIGNIFICANCE OF RESERVES DISCUSSION FOR MTN NOT BE OVER LOOKED. HIJZEN IN LATER MEETING SUGGESTED THAT ANY US PROPOSALS BE PURSUED BOTH IN LONDON AND IN GENEVA AND THAT WE NOT ENGAGE IN A DEBATE OVER WHAT HE SAW AS AN ESSENTIALLY ORGANIZATIONAL QUESTION. US SIDE INDICATED WILLINGNESS TO PROVIDE RESERVE PROPOSAL TO MTN GRAINS GROUP BUT EXPRESSED CONTINUED INTENTION TO BRING RESERVE DISCUSSION TO FRUITION IN LONDON

BEFORE INCORPORATING THAT ISSUE INTO MTN IN GENEVA.

4. CHEESE - US OFFICIALS EXPRESSED CONCERN THAT THE EC HAD RAISED ITS RESTITUTIONS ON A VARIETY OF CHEESES EXPORTED TO THE US WITHOUT PRIOR NOTIFICATION. HIJZEN AND RABOT INDICATED THAT THE INCREASE WAS DESIGNED TO COUNTERACT OTHER CHANGES IN THE MIX WHICH WENT INTO THE OVERALL SUPPORT PRICE FOR THESE CHEESES AND THAT THERE WILL BE LITTLE OR NO EFFECT ON THE EXPORT PRICE TO THE US. THEY INDICATED, NONETHELESS, THAT THEY WOULD MOST LIKELY HAVE INFORMED OUR MISSION IN ADVANCE HAD THEY BEEN IN BRUSSELS AT THE TIME THE RESTITUTIONS WERE RAISED.

5. OVERALL TRADE RELATIONSHIP - IN ALL CONVERSATIONS, HIJZEN STATED THAT THE COMMUNITY WAS SERIOUSLY CONCERNED AT WHAT IT THOUGHT WAS AN EMERGING PATTERN OF TRADE PROTECTIONISM ON THE PART OF THE US GOVERNMENT. HE CITED THE SEVERAL COUNTERVAILING DUTY CASES, THE AUTOMOBILE AND OTHER ANTI-DUMPING CASES AND THE POTENTIAL FOR NUMEROUS TRADE COMPLAINTS AND RETALIATION CONTAINED IN ARTICLE 301 OF THE US TRADE ACT. US SIDE RESPONDED THAT, LIKE EUROPE, WE ARE UNDER INCREASED PRESSURE TO RELIEVE VARIOUS INDUSTRIES FROM THE EFFECTS OF THE CURRENT RECESSION. US LEGISLATION, NOTABLY THE NEW PROCEDURES PROVIDED FOR BY THE TRADE ACT MUST BE ENFORCED; NONETHELESS, WE REMAIN COMMITTED TO A LIBERAL TRADE POLICY. HIJZEN EXPRESSED UNDERSTANDING OF LEGAL PROBLEM BUT ARGUED THAT IT COULD NOT BE SOLE FACTOR IN INTERNATIONAL TRADE RELATIONS. INTERNATIONAL

TRADE POLICY CAN NOT BE MADE THROUGH DOMESTIC LAW. THE EC HAS NEVER CONSCIOUSLY SOUGHT TO UPSET US MARKET; IF LIMITED OFFICIAL USE

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PRICES OF AN EC EXPORT GO BELOW THOSE PREVAILING IN US MARKET, HE ASKED THAT WE DISCUSS THE SPECIFIC PROBLEM WITHOUT RECOURSE TO LAW. US SIDE NOTED THAT EC AND US SYSTEMS WERE DIFFERENT AND THAT, IN MANY INSTANCES, EC HAD GREATER ADMINISTRATIVE FLEXIBILITY THAN US. HIJZEN EXPRESSED UNDERSTANDING OF BASIC POINT BUT WARNED THAT THE CHEESE CASE HAD LEFT A BITTER TASTE IN EUROPE AND THAT PRESSURES TO TAKE A STRONG LINE WITH US IN OTHER CASES WERE RISING. US SIDE ALSO NOTED THAT PUBLIC STATEMENTS OF EXECUTIVES OF VW AND OTHER MANUFACTURERS THAT THEIR CARS (OR THOSE OF COMPETITORS) WERE SELLING MORE CHEAPLY IN US THAN IN EC MARKETS MADE IT IMPOSSIBLE FOR USG TO OVERLOOK DUMPING COMPLAINTS. IN FINAL EXCHANGE ON SUBJECT, HIJZEN STATED THAT EVERY GOVERNMENT HAS RESPONSIBILITY TO USE ITS LAW IMAGINATIVELY TO

PURSUE ITS POLICY OBJECTIVES; IT CAN NOT ESCAPE
RESPONSIBILITY TO KEEP PROBLEMS UNDER CONTROL.

6. FOLLOW UP TO SEVENTH SPECIAL SESSION - HIJZEN
INDICATED THAT HE HAD FOUND HIS WORK IN NEW YORK AS
PART OF DRAFTING GROUP ON TRADE QUESTIONS DIFFICULT BUT
REWARDING. HE HAD HIGH PRAISE FOR US COLLEAGUE (MYERSON)
AS WELL AS LDC REPS IN TRADE GROUP. HIJZEN SAID THAT
HE HAD ASKED HIS STAFF TO ANALYZE THE PROPOSALS MADE BY
THE SECRETARY CAREFULLY AND WOULD WANT TO BE IN CLOSE
TOUCH WITH THE US ON FOLLOW UP. HE SUGGESTED THAT THE
US-EC CONSULTATIONS IN NOVEMBER SHOULD EMPHASIZE
SEVENTH SPECIAL SESSION FOLLOW UP. US SIDE AGREED AND
INDICATED THAT IT ALSO INTERESTED IN COORDINATING
DEVELOPED COUNTRIES POSITIONS THROUGH THE OECD'S NORTH/
SOUTH AND COMMODITIES GROUPS, TRADE COMMITTEE AND
EXECUTIVE COMMITTEE IN SPECIAL SESSION (XCSS) IN OCTOBER.
HIJZEN AGREED TO USE THE OECD FOR THIS PURPOSE BUT
EXPRESSED CONCERN THAT THE LARGE SIZE OF XCSS REMAINED
AN IMPEDIMENT TO USEFUL DISCUSSION THERE. HE MADE IT
CLEAR THAT HE WAS SPEAKING OF THE FORMAL XCSS MEETINGS,
WHICH HE FOUND OFTEN TO RESULT IN A STERILE ROUND OF
STATEMENTS, NOT THE INFORMAL DINNER SESSIONS, WHICH HE
FOUND ON OCCASION HIGHLY STIMULATING. US SIDE RAISED
LDC GRADUATION ISSUE, NOTING CONGRESSIONAL PRESSURE TO
ENSURE THAT ADVANTAGES GIVEN TO LDCS WOULD NOT BE
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PERMANENT. MEXICO AND TAIWAN ALREADY EXPORT MORE
MANUFACTURED GOODS TO THE U.S. THAN ITALY AND FRANCE.
IT WAS NOTED THAT DISTINCTIONS ARE ALREADY MADE AMONG
DEVELOPING COUNTRIES IN THE IDB AND WITH THE STABEX
AND GSP SCHEMES. HIJZEN SAID THAT CRITERIA WHICH
MIGHT LEAD TO EARLY GRADUATION FOR THE RICHER LDCS

WILL BE RESISTED BY THEM. SINCE THEIR REPRESENTATIVES
NORMALLY ACT AS SPOKESMEN FOR THE LDCS IT WILL BE
DIFFICULT TO GET THEM TO ACCEPT REASONABLE CRITERIA FOR
GRADUATION. NONETHELESS, HE FAVORED THE CONCEPT AND
THOUGHT IT WORTH WORKING TOWARD. ROBINSON

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